Kendrick C. Fentress
Associate General Counsel

Mailing Address:
NCRH 20 / P.O. Box 1551
Raleigh, NC 27602

o: 919.546.6733

Kendrick.Fentress@duke-energy.com

July 27, 2022

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff
Docket No. E-7 Sub 1265

Dear Ms. Dunston:

Please find enclosed for filing in the above-referenced docket the Proposed Order of Duke Energy Carolinas, LLC and the Public Staff of the North Carolina Utilities Commission. An electronic copy of the Proposed Order is being emailed to briefs@ncuc.net. The attached proposed order reflects the impact of the July 1, 2022 increase in the regulatory fee.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Kendrick C. Fentress

Kendrick C. Fentress

Enclosure

cc: Parties of Record

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1265

In the Matter of		
Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69	)	JOINT PROPOSED ORDER OF DUKE ENERGY CAROLINAS, LLC, AND THE PUBLIC STAFF APPROVING DSM/EE RIDER AND REQUIRING FILING OF PROPOSED CUSTOMER NOTICE

HEARD: On Tuesday, June 7, 2022, in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding; Chairman Charlotte A. Mitchell; and Commissioners Daniel G. Clodfelter, Kimberly W. Duffley, Jeffrey A. Hughes, Floyd B. McKissick, Jr. and Karen M. Kemerait

APPEARANCES:

For Duke Energy Carolinas, LLC:

Kendrick Fentress, Associate General Counsel
Duke Energy Corporation
P.O. Box 1551
Raleigh, North Carolina 27602

Robert W. Kaylor
Law Office of Robert W. Kaylor, P.A.
353 E. Six Forks Road, Suite 260
Raleigh, North Carolina 27609

For the Carolina Industrial Group for Fair Utility Rates III:

Christina Cress
Bailey & Dixon, LLP
434 Fayetteville Street, Suite 2500
P.O. Box 1351
Raleigh, North Carolina 27602

For the Carolina Utility Customers Association:

Craig Schauer
Brooks Pierce
150 Fayetteville Street, Suite 1700
Raleigh, North Carolina 27601

For the North Carolina Sustainable Energy Association:

Peter Ledford
Taylor Jones
4800 Six Forks Road, Suite 300
Raleigh, North Carolina 27609

For the North Carolina Justice Center, North Carolina Housing Coalition, and the Southern Alliance for Clean Energy:

David L. Neal
Southern Environmental Law Center
601 West Rosemary Street, Suite 220
Chapel Hill, North Carolina 27516

For the Using and Consuming Public:

Lucy E. Edmondson
Public Staff – North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

BY THE COMMISSION: N.C. Gen. Stat. § 62-133.9(d) authorizes the North Carolina Utilities Commission ("Commission") to approve an annual rider to the rates of electric public utilities, outside of a general rate case, for recovery of all reasonable and prudent costs incurred for adoption and implementation of new demand-side management ("DSM") and energy efficiency ("EE") measures. The Commission is also authorized to award incentives to electric companies for adopting and implementing new DSM/EE measures, including, but not limited to, appropriate rewards based on (1) the sharing of savings achieved by the DSM and

EE measures and/or (2) the capitalization of a percentage of avoided costs achieved by the measures. Commission Rule R8-69(b) provides that every year the Commission will conduct a proceeding for each electric public utility to establish an annual DSM/EE rider to recover the reasonable and prudent costs incurred by the electric utility in adopting and implementing new DSM/EE measures previously approved by the Commission pursuant to Commission Rule R8-68. Further, Commission Rule R8-69(b) provides for the establishment of a DSM/EE experience modification factor ("EMF") rider to allow the electric public utility to collect the difference between the reasonable and prudently incurred costs and the revenues that were realized during the test period under the DSM/EE rider then in effect. Additionally, Commission Rule R8-69(c) permits the utility to request the inclusion of utility incentives (the rewards authorized by the statute), including net lost revenues ("NLR"), in the DSM/EE rider and the DSM/EE EMF rider.

In the present proceeding, Docket No. E-7, Sub 1265, on March 1, 2022, Duke Energy Carolinas, LLC ("DEC" or the "Company") filed an application for approval of its DSM/EE rider ("Rider EE"[1] or "Rider 14") for 2023[2] ("Application") and the direct testimony and exhibits of Shannon R. Listebarger, Rates Manager for DEC, and Robert P. Evans, Senior Manager – Strategy and Collaboration for

[1] DEC refers to its DSM/EE Rider as "Rider EE"; however, this rider includes charges intended to recover both DSM and EE revenue requirements.

[2] The Rider EE proposed in this proceeding is the Company's fourteenth Rider EE and includes components that relate to Vintages 2018, 2019, 2020, 2021, 2022 and 2023 of the cost and incentive recovery mechanism(s) approved in Docket No. E-7, Sub 1032, as modified in Docket No. E-7, Sub 1130. For purposes of clarity, the aggregate rider is referred to in this Order as "Rider 14" or the proposed "Rider EE." Rider 14 is proposed to be effective for the rate period January 1, 2023 through December 31, 2023.

the Carolinas in the Company's Market Solutions Regulatory Strategy and Evaluation group.

On March 14, 2022, the Commission issued an order scheduling a hearing for June 7, 2022, establishing discovery guidelines, providing for intervention and testimony by other parties, and requiring public notice. DEC subsequently filed the affidavits of publication for the public notice as required by the Commission's March 14, 2022 Order.

The intervention of the Public Staff – North Carolina Utilities Commission ("Public Staff") is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e). On March 7, 2022, the Carolina Utility Customers Association, Inc. ("CUCA") filed a petition to intervene, which was granted on March 8, 2022. On March 10, 2022, the North Carolina Sustainable Energy Association ("NCSEA") filed a petition to intervene, which was granted on March 11, 2022. On March 15, 2022, the Carolina Industrial Group for Fair Utility Rates III ("CIGFUR") filed a petition to intervene, which was granted on March 16, 2022. On April 5, 2022, the North Carolina Justice Center ("NC Justice Center"), the North Carolina Housing Coalition ("NC Housing Coalition"), and the Southern Alliance for Clean Energy ("SACE" and collectively "NC Justice Center, et al.") filed a petition to intervene, which was granted on April 6, 2022.

On May 16, 2022, DEC filed the supplemental testimony and revised exhibits of witness Listebarger. On May 19, 2022, DEC filed a motion to withdraw certain exhibits that had been inadvertently filed with the supplemental testimony. The Commission allowed withdrawal of the exhibits on May 24, 2022.

On May 17, 2022, the Public Staff filed the testimony and exhibits of Shawn L. Dorgan, Financial Analyst in the Accounting Division, and David M. Williamson, Utilities Engineer in the Energy Division.

On May 17, 2022, the NC Justice Center, et al. filed the testimony and exhibits of Forest Bradley-Wright, Energy Efficiency Director for SACE.

On May 26, 2022, DEC filed the rebuttal testimony of witnesses Jean P. Williams and the Rebuttal Testimony of Lynda S. Powers.

On May 31, 2022, the Commission issued an order requiring additional testimony by DEC about the My Home Energy Report ("MyHER") Program.

On June 1, 2022, DEC filed a letter requesting that the Commission allow Karen K. Holbrook to adopt the testimony of witness Evans, who has retired, and that witnesses Williams, Powers and Holbrook, the Company's subject matter experts on the questions posed by the Commission, be allowed to testify as a panel at the expert witness hearing on June 7, 2022. On June 3, 2022, the Commission granted the request.

On June 2, 2022, DEC, the Public Staff, and the NC Justice Center, et al. filed a joint motion to excuse DEC witness Listebarger, Public Staff witnesses Dorgan and Williamson, and NC Justice Center, et al., witness Bradley-Wright from appearing at the expert witness hearing. On June 3, 2022, the Commission issued an order granting the motion in part, excusing witnesses Dorgan and Bradley-Wright.

On June 6, 2022, DEC filed its Panel Cross-Examination Exhibit.

The case came on for hearing as scheduled on June 7, 2022. No public witnesses appeared at the hearing.

On June 20, 2022, the Commission issued notice requiring that briefs and proposed orders be filed by July 20, 2022.

On June 30, 2022, DEC filed three late-filed exhibits requested by the Commission during the expert witness hearing.

On June 30, 2022, the Commission issued its *Order Increasing Regulatory Fee Effective July 1, 2022*, increasing the regulatory fee for noncompetitive jurisdictional revenues to 0.14%. The resulting increase on proposed rates is reflected in the rates approved in this Order.

On July 14, 2022, DEC filed a motion for a seven-day extension of time to file briefs and proposed orders, which the Commission granted on July 15, 2022.

On July 27, 2022, proposed orders were filed.

Other Pertinent Proceedings: Docket No. E-7, Subs 831, 938, 979, 1032, 1130, and 1164

On February 9, 2010, the Commission issued an *Order Approving Agreement and Joint Stipulation of Settlement Subject to Certain Commission-Required Modifications and Decisions on Contested Issues* in DEC's first DSM/EE rider proceeding, Docket No. E-7, Sub 831 ("Sub 831 Order"). In the Sub 831 Order, the Commission approved, with certain modifications, the Agreement and Joint Stipulation of Settlement between DEC, the Public Staff, SACE, Environmental Defense Fund ("EDF"), Natural Resources Defense Council ("NRDC"), and the Southern Environmental Law Center ("SELC") ("Sub 831

Settlement"), which described the modified Save-A-Watt mechanism ("Sub 831 Mechanism"), pursuant to which DEC calculated, for the period from June 1, 2009 until December 31, 2013, the revenue requirements underlying its DSM/EE riders based on percentages of avoided costs, plus compensation for NLR resulting from EE programs only. The Sub 831 Mechanism was approved as a pilot with a term of four years, ending on December 31, 2013.

On February 15, 2010, the Company filed an Application for Waiver of Commission Rule R8-69(a)(4) and R8-69(a)(5) in Docket No. E-7, Sub 938 ("Sub 938 Waiver Application"), requesting waiver of the definitions of "rate period" and "test period." Under the Sub 831 Mechanism, customer participation in the Company's DSM and EE programs and corresponding responsibility to pay Rider EE are determined on a vintage year basis. A vintage year is generally the 12-month period in which a specific DSM or EE measure is installed for an individual participant or group of participants.[3] The Company applied the vintage year concept on a calendar-year basis to the modified Save-A-Watt portfolio of programs for ease of administration for the Company and customers. Pursuant to the Sub 938 Waiver Application, "test period" is defined as the most recently completed vintage year at the time of the Company's DSM/EE rider application filing date.

[3] Vintage 1 is an exception in terms of length. Vintage 1 is a 19-month period beginning June 1, 2009, and ending December 31, 2010, because of the approval of DSM/EE programs prior to the approval of the cost recovery mechanism.

On April 6, 2010, the Commission entered an *Order Granting Waiver, in Part, and Denying Waiver, in Part*. In this Order, the Commission approved the requested waiver of R8-69(d)(3) in part, but it denied the Company's requested waiver of the definitions of "rate period" and "test period."

On May 6, 2010, DEC filed a Motion for Clarification or, in the Alternative, for Reconsideration, asking that the Commission reconsider its denial of the waiver of the definitions of "test period" and "rate period," and that the Commission clarify that the EMF may incorporate adjustments for multiple test periods. In response, the Commission issued an *Order on Motions for Reconsideration* on June 3, 2010 ("Sub 938 Second Waiver Order"), granting DEC's Motion. The Sub 938 Second Waiver Order established that the rate period for Rider EE would align with the 12-month calendar year vintage concept utilized in the Commission-approved Save-A-Watt approach (in effect, the calendar year following the Commission's order in each annual DSM/EE cost recovery proceeding), and that the test period for Rider EE would be the most recently completed vintage year at the time of the Company's Rider EE cost recovery application filing date.[4]

On February 8, 2011, in Docket No. E-7, Sub 831, the Commission issued its *Order Adopting "Decision Tree" to Determine "Found Revenues" and Requiring Reporting in DSM/EE Cost Recovery Filings* ("Sub 831 Found Revenues Order"),

[4] Further, in the Sub 938 Second Waiver Order issued June 3, 2010, the Commission concluded that DEC should true-up all costs during the Save-A-Watt pilot through the EMF rider provided in Commission Rule R8-69(b)(1). The modified Save-A-Watt approach approved in the Sub 831 Order required a final calculation after the completion of the four-year program, comparing the cumulative revenues collected related to all four vintage years to amounts due the Company, taking into consideration the applicable earnings cap.

which included a "Decision Tree" to identify, categorize, and net possible found revenues against the NLR created by the Company's EE programs. Found revenues may result from activities that directly or indirectly result in an increase in customer demand or energy consumption within the Company's service territory.

On November 8, 2011, in Docket No. E-7, Sub 979, the Commission issued its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice*, in which it approved the Evaluation, Measurement, and Verification ("EM&V") agreement ("EM&V Agreement") reached by the Company, SACE, and the Public Staff. Pursuant to the EM&V Agreement, for all EE programs, except for the Non-Residential Smart $aver Custom Rebate Program and the Low-Income EE and Weatherization Assistance Program, actual EM&V results are applied to replace all initial impact estimates back to the beginning of the program offering. For the purposes of the vintage true-ups, these initial EM&V results will be considered actual results for a program until the next EM&V results are received. The new EM&V results will then be considered actual results going forward and will be applied prospectively for the purposes of truing up vintages from the first day of the month immediately following the month in which the study participation sample for the EM&V was completed. These EM&V results will then continue to apply and be considered actual results until superseded by new EM&V results, if any. For all new programs and pilots, the Company will follow a consistent methodology, meaning that initial estimates of impacts will be used until DEC has valid EM&V results, which will then be applied back to the beginning of the offering and will be considered actual results until a second EM&V is performed.

On February 6, 2012, in the Sub 831 docket, the Company, SACE, and the Public Staff filed a proposal regarding revisions to the program flexibility requirements ("Flexibility Guidelines"). The proposal divided potential program changes into three categories based on the magnitude of the change, with the most significant changes requiring regulatory approval by the Commission prior to implementation, less extensive changes requiring advance notice prior to making such program changes, and minor changes being reported on a quarterly basis to the Commission. The Commission approved the joint proposal in its July 16, 2012 *Order Adopting Program Flexibility Guidelines*.

On October 29, 2013, the Commission issued its *Order Approving DSM/EE Programs and Stipulation of Settlement* in Docket No. E-7, Sub 1032 ("2013 Sub 1032 Order"), which approved a new cost recovery and incentive mechanism for DSM/EE programs ("2013 Mechanism") and a portfolio of DSM and EE programs to be effective January 1, 2014, to replace the cost recovery mechanism and portfolio of DSM and EE programs approved in Docket No. E-7, Sub 831. In the 2013 Sub 1032 Order, the Commission approved an Agreement and Stipulation of Settlement, filed on August 19, 2013, and amended on September 23, 2013, by and between DEC, NCSEA, the Environmental Defense Fund, SACE, the South Carolina Coastal Conservation League, the Natural Resources Defense Council, the Sierra Club, and the Public Staff ("Stipulating Parties"), which incorporates the 2013 Mechanism ("2013 Sub 1032 Stipulation").

Under the 2013 Sub 1032 Stipulation, as approved by the Commission, the portfolio of DSM and EE programs filed by the Company was approved with no specific duration (unlike the programs approved in Sub 831, which explicitly expired on December 31, 2013). Additionally, the 2013 Sub 1032 Stipulation also provided that the Company's annual DSM/EE rider would be determined according to the 2013 Sub 1032 Stipulation and the terms and conditions set forth in the 2013 Mechanism, until otherwise ordered by the Commission. Under the 2013 Sub 1032 Stipulation, the 2013 Mechanism was to be reviewed in four years. Pursuant to the 2013 Sub 1032 Stipulation, any proposals for revisions to the 2013 Mechanism were to be filed by parties along with their testimony in the annual DSM/EE rider proceeding.

The overall purpose of the 2013 Mechanism (and the subsequent iterations of the Mechanism discussed later in this Order) is to (1) allow DEC to recover all reasonable and prudent costs incurred for adopting and implementing new DSM and EE measures; (2) establish certain requirements, in addition to those of Commission Rule R8-68, for requests by DEC for approval, monitoring, and management of DSM and EE programs; (3) establish the terms and conditions for the recovery of NLR (net of found revenues) and a Portfolio Performance Incentive ("PPI") to reward DEC for adopting and implementing new DSM and EE measures and programs; and (4) provide an additional incentive to further encourage kilowatt-hour ("kWh") savings achievements. The 2013 Mechanism also included the following provisions, among several others: (a) it shall continue until terminated pursuant to Commission order; (b) modifications to Commission-approved DSM/EE programs will be made using the Flexibility Guidelines; (c) treatment of opted-out and opted-in customers will continue to be guided by the Commission's

Orders in Docket No. E-7, Sub 938, with the addition of another opt-in period during the first week in March of each year; (d) the EM&V Agreement shall continue to govern the application of EM&V results; and (e) the determination of found revenues will be made using the Decision Tree approved in the Sub 831 Found Revenues Order. Like the Sub 831 Mechanism, the 2013 Mechanism also employs a vintage year concept based on the calendar year.[5] Unless specified otherwise therein, the later iterations of the 2013 Mechanism generally continue to reflect these provisions.

On August 23, 2017, in Docket No. E-7, Sub 1130 ("Sub 1130"), the Commission issued its *Order Approving DSM/EE Rider, Revising DSM/EE Mechanism, and Requiring Filing of Proposed Customer Notice* ("Sub 1130 Order"), in which it approved the agreement to revise certain provisions of the 2013 Mechanism reached by the Company and the Public Staff.

Paragraph 69 of the 2013 Mechanism, which describes how avoided costs are determined for purposes of calculating the PPI, was revised such that for Vintage 2019 and beyond, the program-specific avoided capacity benefits and avoided energy benefits will be derived from the underlying resource plan, production cost model, and cost inputs that generated the avoided capacity and avoided energy credits reflected in the most recent Commission-approved Biennial Determination of Avoided Cost Rates as of December 31 of the year immediately preceding the annual DSM/EE rider filing date. For the calculation of the

[5] Each vintage under the 2013 Mechanism and subsequent revisions of the Mechanism is referred to by the calendar year of its respective rate period (e.g., Vintage 2021).

underlying avoided energy credits to be used to derive the program-specific avoided energy benefits, the calculation will be based on the projected EE portfolio hourly shape, rather than the assumed 24x7 100-megawatt (“MW”) reduction typically used to represent a qualifying facility (“QF”).

Paragraph 19 of the 2013 Mechanism was revised to specify that the avoided costs used for purposes of program approval filings would also be determined using the method outlined in revised Paragraph 69. The specific Biennial Determination of Avoided Cost Rates used for each program approval filing would be derived from the rates most recently approved by the Commission as of the date of the program approval filing.

Paragraph 23 of the 2013 Mechanism was revised, and Paragraphs 23A-D were added, to specify which avoided costs should be used for determining the continuing cost-effectiveness of programs and actions to be taken based on the results of those tests. Pursuant to Paragraph 23, each year the Company would file an analysis of the current cost-effectiveness of each of its DSM/EE programs as part of the DSM/EE rider filing. New Paragraph 23A required the use of the same method for calculating the avoided costs outlined in the revisions to Paragraph 69 to determine the continued cost-effectiveness for each program. Like revised Paragraph 69, Paragraph 23A specified that the avoided capacity and energy costs used to calculate cost-effectiveness would be derived from the avoided costs underlying the most recent Commission-approved Biennial Determination of Avoided Cost Rates as of December 31 of the year immediately preceding the annual DSM/EE rider filing date. New Paragraphs 23B through 23D address the steps that will be taken if specific DSM/EE programs continue to produce Total Resource Cost ("TRC") test results less than 1.00 for an extended period. For any program that initially demonstrates a TRC of less than 1.00, the Company shall include in its annual DSM/EE rider filing a discussion of the actions being taken to maintain or improve cost-effectiveness, or alternatively, its plans to terminate the program. If a program demonstrates a prospective TRC of less than 1.00 in a second DSM/EE rider proceeding, the Company shall include a discussion of what actions it has taken to improve cost-effectiveness. If a program demonstrates a prospective TRC of less than 1.00 in a third DSM/EE rider proceeding, the Company shall terminate the program effective at the end of the year following the DSM/EE rider order, unless otherwise ordered by the Commission. The Sub 1032 Mechanism, as revised by the Sub 1130 Order, is referred to herein as the "2017 Mechanism."

On October 20, 2020, in Docket Nos. E-2, Sub 931, and E-7, Sub 1032, the Commission issued its *Order Approving Revisions to Demand-Side Management and Energy Efficiency Cost Recovery Mechanisms* ("2020 Sub 1032 Order"), in which it approved a revised prospective Mechanism ("2020 Mechanism"). The 2020 Mechanism includes the following substantive changes to the 2017 Mechanism that are applicable to DEC: (1) addition of a Program Return Incentive ("PRI"), an incentive to encourage DEC to pursue savings from existing and new low-income DSM/EE programs, and to maintain and increase the cost-effectiveness of these programs; (2) reduction of the PPI to 10.60%; (3) addition of a cap and floor on the PPI with a maximum margin of 19.50% for Vintage Year

2022 and afterward, and a minimum margin over aggregate pre-tax program costs for PPI eligible programs of 10% for Vintage Year 2022, 6% for Vintage Year 2023, and 2.50% for Vintage Year 2024 and afterward; (4) an assessment of whether it is appropriate to use non-energy benefits in the determination of cost-effectiveness under the Total Resource Cost Test ("TRC"); (5) clarification that bundled measures must be consistent with and related to the measure technologies or delivery channels of a program, unless otherwise ordered by the Commission; (6) use of the Utility Cost Test ("UCT") to determine the cost-effectiveness of new and ongoing programs; (7) a review of Avoided Transmission and Distribution ("T&D") Costs no later than December 31, 2021; and (8) an additional incentive of $500,000 if the Company achieves annual energy savings of 1.0% of the prior year's system retail electricity sales in any year during 2022 through 2025, and a penalty of a $500,000 reduction in its EE revenue requirement if the Company fails to achieve annual energy savings of 0.5% of retail sales, net of sales associated with customers opting out of the Company's EE programs. The 2020 Mechanism is effective for vintage years beginning with Vintage Year 2022; thus, the 2017 Mechanism applies to costs recovered through the EMF in this proceeding, while the 2020 Mechanism applies prospectively to costs projected and eventually trued-up for Vintage Year 2022. Therefore, this cost recovery proceeding falls under the Commission's Sub 1032 Orders approving both the 2017 Mechanism and the 2020 Mechanism. (Sub 1032 Orders.)

Based upon consideration of DEC's Application, the pleadings, the testimony, and exhibits received into evidence at the hearing, the parties' briefs, and the record as a whole, the Commission now makes the following:

FINDINGS OF FACT

1. DEC is a public utility with a public service obligation to provide electric utility service to customers in its service area in North Carolina and is subject to the jurisdiction of the Commission.

2. The Commission has jurisdiction over this Application pursuant to the Public Utilities Act. The Commission has the authority to consider and approve or modify the specific recovery of costs and incentives the Company is seeking in this docket.

3. For purposes of this proceeding, DEC has requested approval of costs and incentives related to the following DSM/EE programs to be included in Rider 14: Energy Assessment Program; EE Education Program; Energy Efficient Appliances and Devices Program; Residential Smart $aver EE Program; Multifamily EE Program; My Home Energy Report Program; Residential Neighborhood Energy Saver; Power Manager Load Control Service Program; Non-Residential Smart $aver Energy Efficient Food Service Products Program; Non-Residential Smart $aver Energy Efficient HVAC Products Program; Non-Residential Smart $aver Energy Efficiency IT Products Program; Non-Residential Smart $aver Energy Efficient Lighting Products Program; Non-Residential Smart $aver Energy Efficient Process Equipment Products Program; Non-Residential

Smart $aver Energy Efficient Pumps and Drives Products Program; Non-Residential Smart $aver Custom Incentive and Energy Assessment Program; PowerShare; Small Business Energy Saver Program; EnergyWise for Business; and Non-Residential Smart $aver Performance Incentive Program.

4. Pursuant to Paragraph 19 of the 2017 Mechanism and Paragraph 20 of the 2020 Mechanism, the Income-Qualified EE and Weatherization Program is not required to pass the TRC or UCT tests to be eligible for inclusion in the Company's portfolio.

5. The Information Technology measure of the Non-Residential Smart $aver Program is not currently cost-effective under the UCT; however, because it is only one measure of the larger Non-Residential Smart $aver program, which is cost-effective, the Commission will not require that the measure be terminated at this time.

6. The Company's accounting of revenues and costs related to the Find it Duke referral channel of the Residential Smart $aver EE program is reasonable and appropriate for purposes of this proceeding.

7. EM&V should be utilized to the extent feasible to assess the impact of interval energy usage information gleaned from Advanced Meter Infrastructure ("AMI") and energy tips have on customers versus information provided through the education and engagement around EE provided through the My Home Energy Report ("MyHER").

8. For purposes of inclusion in Rider 14, the Company's portfolio of DSM and EE programs is cost-effective; however, the Company should continue

to leverage its existing programs and explore developing additional programs that cost-effectively target the largest residential end uses of electricity, such as space heating, cooling, and water heating.

9. The EM&V reports filed as Holbrook Exhibits A, B, C, D and F are acceptable for purposes of this proceeding and should be considered complete for purposes of calculating program impacts.

10. Pursuant to the Commission's Sub 938 Second Waiver Order and the Sub 1032 Orders, the rate period for purposes of this proceeding is January 1, 2023 through December 31, 2023.

11. Rider 14 includes EMF components for Vintage 2021 DSM and EE programs. Consistent with the Sub 938 Second Waiver Order and the Sub 1032 Orders, the test period for these EMF components is the period from January 1, 2021 through December 31, 2021 ("Vintage 2021").

12. DEC's proposed rates for Rider 14 are comprised of both prospective and EMF components. The prospective components include factors designed to collect estimated program costs, PPI, and PRI for the Company's Vintage 2023 DSM and EE programs, as well as estimated NLR for the Company's Vintage 2020-2023 EE programs. The EMF components include the whole or partial true-up of Vintage 2021 program costs, NLR, and PPI, as well as whole or partial true-ups of NLR and PPI for Vintage Years 2018, 2019, and 2020.

13. DEC has appropriately calculated the components of Rider 14 to reflect the Commission's findings and conclusions in this Order, as well as the

Commission's findings and conclusions as set forth in the 2013 Sub 1032 Order, as revised by the Sub 1130 Order, and the 2020 Sub 1032 Order.

14. The proposed Reserve Margin Adjustment Factor ("RMAF") modifications to subsection 20 of the Mechanism, explaining the methodology for calculating and applying the RMAF to the avoided capacity costs of all EE programs, are reasonable and appropriate.

15. The reasonable and prudent Rider 14 billing factor for residential customers is 0.3389 cents per kWh[6], which, as is the case for all the billing factors stated in these findings of fact, includes the regulatory fee.

16. The reasonable and prudent Rider 14 Vintage 2023 EE prospective billing factor for <u>non-residential</u> customers not opting out of <u>Vintage 2023</u> of the Company's <u>EE programs</u> is 0.4323 cents per kWh.

17. The reasonable and prudent Rider 14 Vintage 2023 DSM prospective billing factor for <u>non-residential</u> customers not opting out of <u>Vintage 2023</u> of the Company's <u>DSM programs</u> is 0.0970 cents per kWh.

18. The reasonable and prudent Rider 14 Vintage 2022 prospective EE billing factor for <u>non-residential</u> customers participating in <u>Vintage 2022</u> of the Company's <u>EE programs</u> (or those not participating, but neither (a) explicitly opting out of Vintage 2022 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is 0.0995 cents per kWh.

[6] The residential billing factor applicable to all residential customers is the sum of the residential prospective and residential true-up factors for the applicable vintage years.

19. The reasonable and prudent Rider 14 Vintage 2021 prospective EE billing factor for non-residential customers participating in Vintage 2021 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of Vintage 2021 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is 0.0671 cents per kWh.

20. The reasonable and prudent Rider 14 Vintage 2020 prospective EE billing factor for non-residential customers participating in Vintage 2020 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of Vintage 2020 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is 0.0259 cents per kWh.

21. The reasonable and prudent Rider 14 Vintage 2021 EE EMF billing factor for non-residential customers participating in Vintage 2021 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of Vintage 2021 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0833) cents per kWh.

22. The reasonable and prudent Rider 14 Vintage 2021 DSM EMF billing factor for non-residential customers participating in Vintage 2021 of the Company's DSM programs (or those not participating, but neither (a) explicitly opting out of Vintage 2021 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0173) cents per kWh.

23. The reasonable and prudent Rider 14 Vintage 2020 EE EMF billing factor for non-residential customers participating in Vintage 2020 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of

Vintage 2020 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0012) cents per kWh.

24. The reasonable and prudent Rider 14 Vintage 2020 DSM EMF billing factor for non-residential customers participating in Vintage 2020 of the Company's DSM programs (or those not participating but neither (a) explicitly opting out of Vintage 2020 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0002) cents per kWh.

25. The reasonable and prudent Rider 14 Vintage 2019 EE EMF billing factor for non-residential customers participating in Vintage 2019 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of Vintage 2019 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is 0.0064 cents per kWh.

26. The reasonable and prudent Rider 14 Vintage 2019 DSM EMF billing factor for non-residential customers participating in Vintage 2019 of the Company's DSM programs (or those not participating, but neither (a) explicitly opting out of Vintage 2019 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is 0.0003 cents per kWh.

27. The reasonable and prudent Rider 14 Vintage 2018 EE EMF billing factor for non-residential customers participating in Vintage 2018 of the Company's EE programs (or those not participating, but neither (a) explicitly opting out of Vintage 2018 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0021) cents per kWh.

28. The reasonable and prudent Rider 14 Vintage 2018 DSM EMF billing factor for non-residential customers participating in Vintage 2018 of the Company's DSM programs (or those not participating, but neither (a) explicitly opting out of Vintage 2018 during the annual enrollment period for that vintage, nor (b) opting out of Vintage 2023) is (0.0002) cents per kWh.

29. DEC should continue to leverage its collaborative stakeholder meetings ("Collaborative") to work with stakeholders to garner meaningful input regarding potential portfolio enhancement and program design, as well as to address forecasted declines in savings.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

The evidence and legal bases in support of these findings and conclusions can be found in the Application, the pleadings, the testimony, and the exhibits in this docket, as well as in the statutes, case law, and rules governing the authority and jurisdiction of this Commission. These findings are informational, procedural, and jurisdictional in nature.

N.C. Gen. Stat. § 62-133.9 authorizes the Commission to approve an annual rider, outside of a general rate case, for recovery of reasonable and prudent costs incurred in the adoption and implementation of new DSM and EE measures, as well as appropriate rewards for adopting and implementing those measures. Similarly, Commission Rule R8-68 provides, among other things, that reasonable and prudent costs of new DSM or EE programs approved by the Commission shall be recovered through the annual rider described in N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69. The Commission may also consider in the annual rider proceeding whether to approve any utility incentive (reward) pursuant to N.C. Gen. Stat. § 62-133.9(d)(2) a. through c.

Commission Rule R8-69 outlines the procedure whereby a utility applies for, and the Commission establishes, an annual DSM/EE rider. Commission Rule R8-69(a)(2) defines DSM/EE rider as "a charge or rate established by the Commission annually pursuant to N.C. Gen. Stat. § 62-133.9(d) to allow the electric public utility to recover all reasonable and prudent costs incurred in adopting and implementing new demand-side management and energy efficiency measures after August 20, 2007, as well as, if appropriate, utility incentives, including net lost revenues." Commission Rule R8-69(c) allows a utility to apply for recovery of incentives for which the Commission will determine the appropriate ratemaking treatment.

N.C. Gen. Stat. § 62-133.9, along with Commission Rules R8-68 and R8-69, establish a procedure whereby an electric public utility files an application in a unique docket for the Commission's approval of an annual rider for recovery of reasonable and prudent costs of approved DSM and EE programs. The procedure outlined in N.C. Gen. Stat. § 62-133.9 and Commission Rules R8-68 and R8-69 also allow an electric public utility to recover appropriate utility incentives, potentially including "[a]ppropriate rewards based on capitalization of a percentage of avoided costs achieved by demand-side management and energy efficiency measures." Consistent with this provision, as well as Commission-approved Mechanisms, the Company filed an application for approval of such annual rider, designated by DEC as Rider 14. The cost recovery and utility incentives the Company seeks through Rider 14 are based on the Company recovering DSM/EE program costs, NLR, a PPI incentive related to the DSM and EE programs, as approved in the 2013 Sub 1032 Order, and a PRI incentive as approved in the 2020 Sub 1032 Order, for those programs approved following the 2013 Sub 1032 Order. Recovery of these costs and utility incentives is also consistent with N.C. Gen. Stat. § 62-133.9, Rule R8-68, and Rule R8-69. Therefore, the Commission concludes that it has the authority to consider and approve the cost recovery and incentives the Company is seeking in this docket.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3

The evidence for this finding and conclusion can be found in DEC's Application, the testimony and exhibits of Company witnesses Holbrook, Williams, Powers, and Listebarger, the testimony of Public Staff witness Williamson, and various Commission orders.

DEC witnesses Listebarger's and Holbrook's testimony and exhibits show that the Company's request for approval of Rider 14 is associated with the Sub 1032 portfolio of programs, as well as the programs approved by the Commission after the 2013 Sub 1032 Order. The direct testimony and exhibits of DEC witness Holbrook listed the applicable DSM/EE programs as follows: Energy Assessment Program; EE Education Program; Energy Efficient Appliances and Devices Program; Residential Smart $aver EE Program; Multifamily EE Program; My Home Energy Report Program; Income-Qualified EE and Weatherization Program for Individuals; Neighborhood Energy Saver Program; Power Manager Load Control Service Program; Non-Residential Smart $aver Energy Efficient Food Service

Products Program; Non-Residential Smart $aver Energy Efficient HVAC Products Program; Non-Residential Smart $aver Energy Efficient IT Products Program; Non-Residential Smart $aver Energy Efficient Lighting Products Program; Non-Residential Smart $aver Energy Efficient Process Equipment Products Program; Non-Residential Smart $aver Energy Efficient Pumps and Drives Products Program; Non-Residential Smart $aver Custom Incentive Program; Non-Residential Smart $aver Custom Energy Assessments Program; PowerShare Non-Residential and Load Curtailment Program; Small Business Energy Saver; EnergyWise for Business Program; and Non-Residential Smart $aver Performance Incentive Program. (Tr. at 89-90.)

In his testimony, Public Staff witness Williamson listed the same DSM/EE programs as those for which the Company seeks cost recovery. (Tr. at 238-39.)

Thus, the Commission finds and concludes that each of the programs listed by witnesses Holbrook and Williamson has received Commission approval as a new DSM or EE program and is, therefore, eligible for cost recovery in this proceeding under N.C. Gen. Stat. § 62-133.9.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4-8

The evidence for these findings and conclusions can be found in the testimony and exhibits of Company witnesses Holbrook, Powers, and Williams, the testimony and exhibits of Public Staff witnesses Williamson and Dorgan, the testimony of NC Justice Center, *et al.*, witness Bradley-Wright, the 2017 Mechanism and the 2020 Mechanism.

DEC witness Holbrook testified that the Company performed prospective analyses of each of its programs in its DSM/EE portfolio and the aggregate portfolio for the Vintage 2023 period. She explained that effective 2022, the UCT had replaced the TRC for use in screening DSM/EE programs. DEC's calculations indicate that, except for the Income-Qualified EE and Weatherization Program (which was not cost-effective at the time of Commission approval) and the Information Technology element of the Non-Residential Smart $aver Program, the aggregate portfolio continues to project cost-effectiveness. Eliminating the Information Technology element of the Non-Residential Smart $aver at this time would not be appropriate, witness Holbrook stated, because the element is integral to ensuring that a robust portfolio of prescriptive offerings is available for non-residential customers, and it is only a measure category of a larger, cost-effective program. (Tr. at 90-92.)

With respect to the MyHER program, Witness Holbrook's Exhibit 6 described the approved program as a periodic usage report that compares a customer's energy use to similar residences in the same geographical area based upon the age, size, and heating source of the home. The report includes recommendations to encourage behaviors to make the customer more energy efficient, and it delivers energy savings by encouraging customers to take actions that will reduce their energy use. The report engages the customer by comparing their usage to that of average homes in the nearby area, as well as the efficient homes. It also suggests energy efficiency improvements, given the usage profile for that home, and recommends measure-specific offers, rebates, or audit follow-ups from the Company's other programs, based on the customer's energy profile.

The MyHER interactive online portal allows customers to learn more about their energy use and about opportunities to reduce their usage. Customers can set goals, track their progress, and receive more targeted tips. As customers receive subsequent reports and learn more about their specific energy use and how they compare to their peer group, their engagement increases. The report then provides tools in the form of targeted energy efficiency tips with actionable ideas to become more efficient. (Holbrook Exhibit 6, at 4.)

Based on witness Holbrook's review of the cost-effectiveness tests, the Company did not find it reasonable to discontinue any of the programs or measures at this time. Witness Holbrook indicated that the Company would continue, however, to examine its programs for potential modifications to increase their effectiveness, regardless of the current cost-effectiveness results. (Tr. at 12-13.)

NC Justice Center, *et al.*, witness Bradley-Wright testified that DEC's DSM/EE portfolio is cost-effective and is delivering significant financial value to customers, even during the pandemic. He noted that in 2021, the Company's DSM/EE portfolio scored a 2.68 UCT score and 2.46 TRC test score. He acknowledged that the net present value of avoided costs had decreased in 2020; nevertheless, it still amounted to approximately $292 million of financial benefit for customers. (Tr. at 183.) Witness Bradley-Wright further testified that DEC's energy savings, however, had declined in 2021. He noted that in 2021, DEC delivered 600 GWh of efficiency savings at the meter, equal to 0.79% of the previous year's retail sales. Prior to the pandemic, however, DEC reported savings at near or above 1% for three consecutive years. Witness Bradley-Wright also expressed concern that the savings from MyHER were 51% of reported system energy reductions. He urged the Company to continue to focus on capturing additional measures that are capable of achieving deep and longer-lived savings to maintain a more balanced and robust program portfolio going forward. He recommended adding or modifying programs that target the largest residential end uses of electricity, such as space heating, cooling, and water heating. He noted that the HVAC efficiency program had seen steady growth in recent years. (Tr. at 183-85.)

Public Staff witness Williamson stated in his testimony that the Public Staff reviewed DEC's calculations of cost-effectiveness under each of the four standard cost-effectiveness tests: UCT, TRC test, Participant test, and RIM test. (Tr. at 240.) The Public Staff also compared the cost-effectiveness test results in previous DSM/EE proceedings to the current filing and developed a trend of cost-effectiveness that serves as the basis for its recommendation of whether a program should be terminated. (Tr. at 241-42.) Witness Williamson testified that while many programs continue to be cost-effective, the TRC and UCT test scores as filed by the Company for all programs have a natural ebb and flow, mainly due to the changes in avoided cost rate determinations. (*Id*. at 243.) He stated that the decreasing cost-effectiveness is also partially attributable to anticipated unit savings being lower than expected as determined through EM&V of the programs. Also, as programs mature, baseline standards increase, or avoided cost rates decrease, it becomes more difficult for a program to produce cost-effective savings. (*Id*. at 244.) In contrast, some programs have experienced greater than expected participation, which typically results in greater savings per unit cost and increases cost-effectiveness. (*Id*.) Based on this review, Public Staff witness Williamson testified that the Public Staff believes that the historical performance of the Company's programs is reasonable. (Tr. at 246.) Public Staff witness Dorgan indicated he would review advertising costs associated with the Company's DSM/EE portfolio in the future, but he did not recommend any disallowance and did not disagree with the conclusions and recommendations of witness Williamson. (Tr. at 226.)

Find it Duke

Consistent with the Commission's previous directives, witness Holbrook updated the Commission on the Company's efforts to identify and recruit historically disadvantaged businesses for participation in the Find it Duke ("FID") referral channel. In 2021, Duke Energy developed a plan to recruit historically disadvantaged businesses ("Disadvantaged Businesses") for participation in FID during 2022. As part of that plan, Duke Energy engaged with a number of organizations, such as the National Minority Supplier Development Council, the Women's Business Enterprise National Council, the African American Chamber of Commerce, the National Veteran Business Development Council, and the National LGBT Chamber of Commerce. Witness Holbrook reported that out of the twenty-two Trade Allies classified as Disadvantaged Businesses, four were enrolled in FID. Two of the four are female-owned, and two are minority-owned. According to Ms. Holbrook, the Disadvantaged Businesses support insulation services, which are lower in cost than, for example, HVAC installation. Trade Allies participating in FID that are not historically Disadvantaged Businesses typically perform HVAC installation services, which carry a higher cost for equipment. The average dollar value for work performed by Disadvantaged Businesses was approximately $2500, which is lower than the $5,600 average dollar value for work done by contractors that were not Disadvantaged Businesses. In late 2021, however, the fourth historically disadvantaged business enrolled in FID as a solar installer, and that solar installer had only sold one job by the end of 2021. (Tr. at 104-06.)

Witness Holbrook also described how the Company excluded non-DSM/EE costs and revenue from FID for purposes of this proceeding. Based on FID activity during 2021, 15.2 percent was non-DSM/EE. Using this allocation, the Company removed the corresponding amount of expenses and revenue from the DSM/EE revenue requirement. A change in the PPI totaling $1,737 was accounted for. As a result of these adjustments, the DSM/EE revenue requirement increased by $13,368. (Tr. at 106-07.)

Additional Testimony in Response to Commission Orders

Witness Holbrook also testified in response to the Commission's December 17, 2021 *Order Requiring Filing of Additional Testimony ("Additional Testimony Order")*. She testified that Advance Metering Infrastructure ("AMI") and Customer Connect had not had any direct impact on the implementation of EE and DSM programs and rider calculations. She committed to DEC continuing to review whether the deployment of AMI and Customer Connect can benefit customers through the implementation of EE and DSM programs and rider calculations.

Witness Holbrook stated that AMI had indirectly impacted the EM&V of the EE and DSM programs that is used in the rider calculations, because it resulted in EM&V-verified impacts being derived from analytical approaches that were better able to tease out energy and demand savings. (Tr. at 109.) She noted that DEC was always interested in exploring ways to increase the effectiveness or reduce the cost of its EE and DSM programs, but it had not yet identified a way to leverage AMI and Customer Connect to do so. (Tr. at 108-09.)

Witness Holbrook also testified in response to Public Staff witness Williamson's testimony in Docket No. E-7, Sub 1249, related to the overlap of AMI informed services and specialized tips supported by the MyHER EE program. Witness Holbrook testified that most of the Company's residential customers may obtain data about their energy usage from two sources – AMI informed services and the MyHER program. All Company customers, at their option, may go online to see their hourly usage AMI data, regardless of whether they participate in MyHER. Only MyHER participants (that are not part of the control group) may access the MyHER reports that not only engage and educate customers around their energy usage, but also empower them to become more efficient through the provision of actionable energy efficiency tips. Therefore, the EM&V of MyHER shows that any changes in consumption can be directly attributed to the MyHER program. (Tr. at 112.)

Witness Holbrook also testified on the percentage of MyHER customers that have visited the AMI usage web site. According to witness Holbrook, between April and December 2021, the percentage of MyHER customers monthly accessing their My Account AMI Charts ranged from 0.42% (October and November 2021) to 0.68% (July 2021), never exceeding 1.00 %. Additionally, the percentage accessing their My Account AMI Charts fluctuated, but overall, it decreased from 0.65 % in April 2021 to 0.49% in December 2021. (Tr. at 113.)

With respect to how DEC will integrate its new dynamic pricing rates into EE and DSM programs, witness Holbrook testified that as with other DEC rate schedules, customers using the new, dynamic pricing rates will be eligible to participate in EE and DSM programs through the availability section of the relevant tariff. The Company has not yet identified how its new dynamic pricing tariffs may impact existing EE and DSM program marketing, implementation, cost-effectiveness, and evaluations. (Tr. at 113-14.)

Finally, witness Holbrook testified that the Company continued to evaluate how the carbon reduction associated with EE program kWh savings will be reported as part of future annual DSM/EE Rider filings after the Carbon Plan is approved. (Tr. at 115.)

Public Staff witness Williamson responded to witness Holbrook's responses to the Commission's questions on MyHER. He indicated that the Company is now able to obtain a more refined look at how its system operates and how customers are using energy at the point of delivery. AMI and Customer Connect can allow customers to make more informed decisions on their energy consumption, and it allows DEC to exercise DSM resources more strategically. Witness Williamson further testified that AMI and Customer Connect advance customers' understanding of various rate designs and encourage customers to take advantage of time-of-use rates. Witness Williamson also agreed that the Company has used AMI to validate the responsiveness of customers during peak time events and conduct more accurate EM&V of load reduction occurrences. (Tr. at 252.) He noted that using AMI and a customer portal will inform customers about their energy consumption and the price of energy at a particular moment, and he concluded that simple programs, priced appropriately, combined with engaging customer participation will bring out system efficiencies. (Tr. at 253.)

With respect to whether AMI and Customer Connect had produced any savings, witness Williamson testified that determining the amount, if any, that was saved was difficult. Moreover, he asserted that, in the Public Staff's opinion, there had not been sufficient time to properly assess the transformational aspects of AMI and Customer Connect. (Tr. at 254.) Witness Williamson agreed that the utilities may use sub-hourly data to provide more personalized DSM/EE opportunities, and that customers that review their usage data may participate in additional DSM/EE programs. (Tr. at 255.) He concluded, however, that this will take time to gain traction. (*Id.*)

Witness Williamson also responded to witness Holbrook's testimony on MyHER. First, he noted that customers only became able to use their My Account AMI charts as of April 2021. Witness Williamson expected that, as more customers become familiar with this tool, they will use the interval AMI data tool to maximize their energy savings. (Tr. at 259, 263.) Next, he testified that the current MyHER EM&V does not account for customers who utilize the customer web portal where they can view their AMI data and, as a result, change their usage pattern going forward. In witness Williamson's opinion, as the EM&V sampling accounts for the new AMI tools available to customers, it should increase its rigor by including an analysis, survey, and other relevant studies that show how having AMI usage data available to customers influences their behaviors toward DSM and EE. Witness Williamson acknowledged that he had not determined the means for DEC to do so, however. (Tr. at 259.)

Witness Williamson also recommended that future evaluations of the MyHER program distinguish between kWh savings from MyHER and any other savings that may be realized by the customer's access and use of AMI data that occurs separate from the MyHER program. Witness Williamson testified that "as data analysis tools become more readily available to customers, the distinction between savings attributable to MyHER and those attributable to other factors becomes more impactful to system planning and cost recovery." (Tr. at 261-62.)

Witness Williamson also addressed witness Holbrook's testimony on DEC's new dynamic pricing rates. To his knowledge, the Commission has not considered dynamic rate tariffs such as the Company's Time of Use rates and real-time pricing schedules to be DSM or EE. Witness Williamson noted that dynamic pricing tariffs encourage customers to shift energy usage from peak to off-peak, like a DSM program. Unlike a DSM program, however, dynamic pricing tariffs solely rely on the customer to act to shift usage, while DSM programs are actively managed by the Company. (Tr. at 264-65.) Witness Williamson concluded that dynamic pricing tariffs should have little to no impact on DSM/EE program marketing, implementation, or cost-effectiveness. (Tr. at 265-66.)

With respect to S.L. 2021-165's implications for DSM/EE programs, the Public Staff stated that it currently views two potential scenarios where it could influence the DSM/EE programs and rider applications. In the first potential scenario, if a cost of carbon were to be introduced and approved in an avoided cost proceeding, then that input would be incorporated in the final avoided cost calculations and rates approved by the Commission, which would then flow into the avoided costs used in the DSM/EE rider. If a cost of carbon were to be introduced and approved in the avoided cost proceeding, then an assessment of potential changes to the Mechanism would need to take place to ensure that savings incentives are handled appropriately. The second potential scenario involved accounting for carbon reductions similarly to how energy efficiency credits are counted for compliance with the Renewable Energy and Energy Efficiency Portfolio Standard.

In her rebuttal testimony, DEC witness Williams, manager of the EM&V group in the Company's Grid Strategy and Enablement Group, responded to Public Staff witness Williamson's testimony on the Company's AMI data, customers' use of that data, and its potential impact on the MyHER EM&V process. She gave further details on how the EM&V process determines energy savings attributable to the MyHER program. A third-party evaluator employs a randomized control trial ("RCT") to establish an unbiased estimate of the savings. The evaluator randomly assigns eligible customers to either a treatment group, which regularly receives MyHER reports, or a control group, which consists of non-participating customers. The evaluator verifies that the treatment and control group are statistically equivalent in their respective energy consumption to ensure that RCT will provide meaningful results. With these two separate customer groups, both have access to their AMI data, but only the treatment group has access to the MyHER report, and the evaluator clearly delineates the estimated savings attributable to MyHER. (Tr. at 59-60.) Witness Powers also testified at the evidentiary hearing that an RCT as described negates this issue of free ridership with MyHER and provides inherent net savings estimates. (Tr. at 168.)

Company witness Williams disagreed with Public Staff witness Williamson's recommendation that, as AMI gains traction, the EM&V process specifically identify savings arising out of the availability of AMI data. Witness Williams agreed that additional research may be done to determine satisfaction, usage, and engagement with AMI usage data in both the treatment and control groups, but witness Williams cautioned that such additional research should be done outside of the MyHER EM&V process because the RCT already controls for AMI usage. The Company is committed to exploring how independent research may be conducted. (Tr. 59-61.) For purposes of this proceeding, however, DEC witness Williams testified that the EM&V for MyHER was based on 2019 review. DEC is currently finalizing a newly-verified MyHER report for use in the Company's next annual DSM/EE Rider proceeding. Witness Williams explained that these EM&V results would reflect eight months of customers having access to both AMI and MyHER. (Tr. at 170-71.)

Witness Williams agreed with the Public Staff's statement that dynamic pricing tariffs should not be considered a DSM/EE program at this time. She did not rule out, however, that EM&V may indicate that such pricing tariffs do impact customers' energy consumption or demand profiles such that it would make DSM/EE recovery appropriate in the future. (Tr. at 61.)

In response to the Commission's May 31, 2022 *Order Requiring Additional Testimony by Duke Energy*, the Company presented witnesses Holbrook, Listebarger, Williams, and Powers as a panel for testimony. Witness Williams testified that DEC has investigated expanding MyHER through the use of Customer Connect and AMI data to communicate with customers. She listed four additional opportunities to empower and educate customers to reduce energy usage: (i) providing alerts to MyHER participants that AMI data has detected unexpected energy spikes in their appliances; (ii) improving modeling to provide more accurate tips tailored to the specific heating type in participants' homes; (iii) identifying through AMI data if participants had pools, spas, hot tubs, and tailoring tips on how to use electricity with these different items; and (iv) exploring providing tips for MyHER customers enrolled in time-of-use rates.

Witness Holbrook also explained how the anticipated savings from MyHER were incorporated in future load projections, including load projections in the Carbon Plan. She stated that for the Integrated Resource Plans ("IRPs"), the Company gives a five-year projection for energy efficiency impacts. The Company then uses the Market Potential Study that extrapolates the savings out a number of years. For the Carbon Plan, MyHER savings were included in the generic one percent of eligible load goal. Witness Holbrook described the MyHER program as being very popular, with only 17 new customers opting out in the past year. (Tr. at

121-22.) The Company also filed a Late-Filed Exhibit No. 3, showing that estimated North Carolina customers participating in the MyHER program for the first time ranged from 43,608 North Carolina customers (2019) to 206,274 North Carolina customers (2022). (Tr. at 121-22.)

DEC witness Williams followed up witness Holbrook's testimony by explaining that a participant in MyHER may receive a paper or an electronic MyHER report, but customers that have opted out of MyHER or are part of the control group receive nothing related to MyHER and do not have access to the MyHER portal. Witness Holbrook elaborated that a customer reviewing AMI data will see how that customer's data changes over time. No information, however, about whether usage is average or above average or how to make the customer more efficient is available to a customer viewing AMI data. In contrast, MyHER educates customers by providing them with information on what is using power within their home, engages customers by comparing their usage to other customers to motivate them, and empowers customers by providing tips to reduce energy and demand within their home. (Tr. at 141-43.)

The Company witnesses also responded to questions from Commissioner Hughes regarding how MyHER produces savings that benefit all customers, instead of only MyHER participants. Witness Williams stressed that there was a very low level of customers opting out of MyHER and that the participants in the control group were minimized, but necessary to validate the savings. Witness Holbrook further explained that MyHER was very cost-effective, which means that even non-participants of MyHER reaped the benefit of utility costs avoided due to the program, as compared to the cost of the program. She added that non-participants are not overly paying for MyHER because of the avoided cost benefit versus program costs. (Tr. at 154.)

With respect to MyHER, witness Powers explained that the Company recovered net lost revenues for the life of the measure. Because of the continued need and cost to engage customers every year, MyHER has a one-year measure life. Therefore, for MyHER net lost revenues are appropriately recovered every year and reflect for the verified energy savings associated with the most recent EM&V. (Tr. at 158-59.) Witness Holbrook further testified at the evidentiary hearing that because of the high, steady saturation of MyHER since its inception, big increases in lost revenue from one year to the next are not seen. (Tr. at 151.)

Witness Powers also responded to concerns that a large percentage of savings resulted from the MyHER program. She explained that volume of savings resulted from a very large number of customers participating in MyHER. She further contrasted the ease for these customers in participating in MyHER with participating in the Home Energy House Call program, which requires a scheduled appointment with a customer, and other DSM/EE programs with long measure lives that require upfront capital, like replacing an air conditioner. She noted that air conditioning replacement is an effective EE measure, but it is also expensive. Thus, a program like MyHER produces more energy savings for customers. Nevertheless, witness Powers committed to the Company working on getting longer-lived measures to customers to help them save money. (Tr. at 134-35.)

Public Staff witness Williamson also testified in response to Commission questions at the evidentiary hearing. He explained that net lost revenues are a mechanism to make the Company whole, so the Company is not disincentivized from offering EE programs. The Public Staff meets with the Company's EM&V team in every rider proceeding to verify the EM&V reports through sampling. Witness Williamson also confirmed that the EE impacts are embedded in the creation of a kilowatt hour sales forecast for rates cases. (Tr. at 277-78.)

In response to a request from the Commission at the evidentiary hearing, the Company filed a late-filed exhibit that showed how energy savings resulting from an EE program, such as MyHER, are treated in a general rate case for purposes of calculating a revenue requirement. (Tr. at 148.). Late-filed Exhibit No. 2 demonstrated that sales revenues lost due to DSM/EE activities do not have to be removed from the general rate case amounts, since they never were actually accrued or collected. A net level of sales is assumed for purposes of setting a revenue requirement. (Late-Filed Exhibit No. 2.)

Discussion and Conclusions

Based upon the foregoing, the Commission concludes that for purposes of inclusion in Rider 14, the Company's aggregate DSM/EE portfolio projects cost-effectiveness. No party recommended terminating, modifying or excluding these programs or measures or any programs or measures from Rider 14, and the Commission will not order the Company to modify or terminate any of its DSM/EE programs in this proceeding. With respect to the Information Technology element of the Non-Residential Smart $aver program, it is only a measure in a larger, cost-effective program; therefore, the Commission will not order any modifications to that measure.

The Commission further finds that the Company's removal of non-DSM/EE costs and revenues from the FID channel is consistent with the Commission's previous orders and is appropriate.

Specifically, with respect to MyHER, the Commission finds that no party recommended any disallowance or modification related to the program. Based on the foregoing, the Commission agrees with the Public Staff that EM&V should be utilized to the extent feasible to assess the impact interval energy usage information gleaned from AMI and energy tips have on customers versus the engagement education and empowerment around EE provided through the MyHER program, which continues to be refined and enhanced by insights from interval usage data. The Commission further agrees with Public Staff witness Williamson that at this time, AMI and Customer Connect use has not yet gained sufficient "traction," with customers participating only having approximately eight months of time where they could go online and see their energy consumption data through AMI. For purposes of this proceeding, however, the Commission finds that the Company's EM&V has appropriately aligned energy savings with participation in MyHER. Thus, the Commission concludes that the Company's EM&V for MyHER is robust, reasonable, and appropriate and that directing the Company to alter its EM&V processes for MyHER results in advance of greater customer experience or "traction" with AMI data is premature at this time.

The Commission also recognizes that, like the Company's DSM/EE portfolio as a whole, MyHER is cost-effective. No party disputed its cost-effectiveness. Specifically, MyHER is cost-effective under the UCT. As defined in Paragraph 16 of the Mechanism, the UCT is a cost-effectiveness test that measures the net costs of a DSM or EE Program or portfolio as a resource option based on the incremental costs incurred by the utility (including incentive costs paid by the utility to or on behalf of participants) and excluding any net costs incurred by the participants. The benefits for the UCT are the avoided supply costs (i.e., the reduction in generation capacity costs, transmission and distribution capacity costs, and energy costs caused by a load reduction), valued at marginal cost for the periods when there is a load reduction. This reduction in avoided supply costs benefits all customers, even if they are one of the relatively few customers that do not participate in, or have opted out of, MyHER. Additionally, as detailed by Witness Holbrook, the MyHER Program also provides an effective channel to cross-promote other EE programs to customers that deliver energy savings and system benefits for all customers not reflected in the MyHER system benefits.

Based on the foregoing, DEC's DSM/EE portfolio is approved without modification for inclusion in Rider 14. The Commission directs the Company, however, to continue to leverage its existing programs and to explore developing additional programs that cost effectively target the largest residential end uses of electricity, such as space heating, cooling, and water heating. The Commission further believes that the Company should continue to explore ways that AMI data utilized by the MyHER can enhance energy savings to customers.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence in support of this finding and conclusions can be found in the testimony and exhibits of DEC witness Holbrook and the testimony and exhibits of Public Staff witness Williamson.

DEC witness Holbrook testified regarding the EM&V process, activities, and results presented in this proceeding. She explained that the EMF component of Rider 14 incorporates actual customer participation and evaluated load impacts determined through EM&V and applied pursuant to the EM&V Agreement. In addition, actual participation and evaluated load impacts are used prospectively to update estimated NLR. (Tr. at 195-96.) In this proceeding, the Company submitted as exhibits to witness Holbrook's testimony detailed, completed EM&V reports or updates for the following programs: Low Income Weatherization Program 2016-2018 (Holbrook Exhibit A); Power Manager: 2019-2020 (Holbrook Exhibit B); Online Savings Store Program 2021 Evaluation (Holbrook Exhibit C); K12 Education Program 2019-2020 Evaluation (Holbrook Exhibit D); Small Business Energy Saver Program 2019-2020 (Holbrook Exhibit E); and Interim Report for the EnergyWise Business Program 2020 (Holbrook Exhibit F).

In his testimony, Public Staff witness Williamson testified that, based on his review of the EM&V reports filed in this proceeding and his discussions with the Company, it was determined that Small Business Energy Saver Program 2019-2020 Report, Holbrook Exhibit E, contained an error. The Company and the Public Staff agreed that the Company could update the report and incorporate the financial impacts associated with the update in the next rider proceeding and that the Commission hold this report open until the next rider proceeding. Witness Williamson recommended that the remaining EM&V reports be considered complete. (Tr. at 270.) Witness Williamson also verified that the change to program impacts, and participation were appropriately incorporated into the rider calculations for each DSM/EE program and the actual participation and impacts calculated with the EM&V data consistent with Commission orders and the Mechanism. (Tr. at 271.)

Conclusions

No party contested the EM&V information submitted by the Company, and the Company has agreed to the recommendations of Public Staff witness Williamson with respect to future EM&V reports. The Commission therefore finds that the EM&V reports filed as Evans Exhibits A, B, C, D, and F are acceptable for purposes of this proceeding and should be considered complete for purposes of calculating program impacts. The Commission further directs the Company to update the Small Business Energy Saver Program Report and incorporate the financial impacts associated with the update in the next DEC DSM/EE rider proceeding. The Commission will hold the Small Business Energy Saver Program 2019-2020 Report open until the next rider proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-28

The evidence in support of these findings and conclusions can be found in the Sub 831 Order, the Sub 831 Found Revenues Order, the Sub 938 Waiver Order, the Sub 938 Second Waiver Order, the Sub 979 Order, the Sub 1032 Orders, and the Sub 1130 Order, as well as in the Company's Application, the direct and supplemental testimony and exhibits of Company witness Listebarger, the direct and rebuttal testimony and exhibits of Company witness Holbrook, and the testimony and exhibits of Public Staff witnesses Dorgan and Williamson.

On March 1, 2022, DEC filed its application seeking approval of Rider 14, which includes the formula for calculation of Rider EE, as well as the proposed billing factors to be effective for the 2023 rate period. Company witness Listebarger testified that the methods by which DEC has calculated its proposed Rider EE are consistent with the 2013 Sub 1032 Stipulation and the Mechanism, as approved in the 2013 Sub 1032 Order, and the 2020 Sub 1032 Order. She clarified that the 2013 Sub 1032 Stipulation remains in effect; however, the 2020 Mechanism applies prospectively to costs projected in 2022. (Tr. 36-37.)

Witness Listebarger and witness Holbrook each provided an overview of the Mechanism, which is designed to allow the Company to collect revenue equal to its incurred program costs[7] for a rate period, plus a PPI based on shared savings achieved by the Company's DSM and EE programs, and to recover NLR for EE programs only. (Tr. at 36-37.) Witness Listebarger explained that the PPI is calculated by multiplying the net dollar savings achieved by the system portfolio of DSM and EE programs by a factor of 11.5%. Under the 2020 Mechanism, however, this percentage is lowered to 10.6%, starting in 2022. (Tr. at 42-43.) In addition, Company witness Holbrook explained that the calculation of the PPI is based on avoided cost savings, net of program costs, achieved through the

[7] Rule R8-68(b)(1) defines "program costs" as all reasonable and prudent expenses expected to be incurred by the electric public utility, during a rate period, for adopting and implementing new DSM and EE measures previously approved pursuant to Rule R8-68.

implementation of the Company's DSM and EE programs. (Tr. at 101-02.) She further explained that consistent with the Sub 1032 Orders, DEC has excluded the impacts from the Income-Qualified EE and Weatherization Program for Individuals from its calculation of the PPI. The system amount of PPI is then allocated to North Carolina retail customer classes to derive customer rates. (Tr. at 40-41.) Under the 2020 Mechanism beginning in 2022, the Income-Qualified EE and Weatherization programs are eligible to receive a PRI. (Tr. at 102.)

Witness Listebarger explained that in each of its annual rider application filings, DEC performs an annual true-up process for the prior calendar year vintages. The true-up reflects actual participation and verified EM&V results for the most recently completed vintage, applied in accordance with the EM&V Agreement. In accord with the 2020 Sub 1032 Order, DEC continues to apply EM&V in accordance with the EM&V Agreement. The Company expects that most EM&V will be available in the timeframe needed to true-up each vintage in the following calendar year. If any EM&V results for a vintage are not available in time for inclusion in DEC's annual rider filing, however, the Company will make an adjustment in the next annual filing. (Tr. at 38.)

Witness Listebarger testified that deferral accounting may be used for over and under recoveries of costs eligible for recovery through the annual DSM/EE rider. (Tr. at 37-38.) The balance in the deferral accounts, net of deferred income taxes, may accrue a return at the net-of-tax rate of return approved in the Company's then most recent general rate case. (*Id.*) She testified that the methodology used for the calculation of interest shall be the same as that typically utilized for the Company's Existing DSM Program Rider proceedings. Pursuant to Commission Rule R8-69(c)(3), the Company will not accrue a return on NLR or the PPI. (*Id.*)

Witness Listebarger testified that under the 2013 Sub 1032 Stipulation and the Sub 938 First Waiver Order, qualifying non-residential customers may opt out of the DSM and/or EE portion of Rider EE during annual election periods. She stated that Rider EE will be charged to all customers who have not elected to opt out during an enrollment period and who participate in any vintage year of programs, and these customers will be subject to all true-up provisions of the approved Rider EE for any vintage in which the customers participate. Witness Listebarger explained that the Mechanism affords an additional opportunity for participation whereby qualifying customers may opt into the Company's EE and/or DSM programs during the first five business days of March. (Tr. at 43-44.) Customers who elect to begin participating in the Company's DSM and/or EE programs during the special "opt-in period" during March of each year will be retroactively billed the applicable Rider EE amounts back to January 1 of the vintage year, such that they will pay the appropriate Rider EE amounts for the full rate period. (*Id.*)

Witness Listebarger further testified that the Company may recover NLR associated with a particular vintage for a maximum of 36 months or the life of the measure, or until the implementation of new rates in a general rate case to the extent that the new rates are set to recover NLR. She explained that for the prospective components of Rider EE, NLR are estimated by multiplying the portion of the

Company's tariff rates that represents the recovery of fixed costs by the estimated North Carolina retail kW and kWh reductions applicable to EE programs by rate schedule and reducing this amount by estimated found revenues. She further testified that the fixed cost portion of the tariff rates is calculated by deducting the recovery of fuel and variable operation and maintenance costs from the tariff rates, and that the NLR totals for residential and non-residential customers are then reduced by North Carolina retail found revenues computed using the weighted average lost revenue rates for each customer class. (Tr. at 42.) For the EMF components of Rider EE, NLR are calculated by multiplying the fixed cost portion of the tariff rates by the actual and verified North Carolina retail kW and kWh reductions applicable to EE programs by rate schedule and reducing this amount by actual found revenues. (Tr. at 43.)

Witness Holbrook described how, in accordance with the Sub 831 Settlement, the Commission's Sub 831 Found Revenues Order, and the 2013 Sub 1032 Stipulation, DEC reduces NLR by net found revenues. (Tr. at 97-99.) Additionally, she stated that the Company has continued the practice the Commission approved in its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* issued on August 21, 2015 in Docket No. E-7, Sub 1073, of reducing net found revenues by the monetary impact (negative found revenues) caused by reductions in consumption resulting from the Company's current initiative to replace Mercury Vapor lights with light-emitting diode ("LED") fixtures. (*Id.*)

Witness Listebarger testified that program costs and incentives for EE programs targeted at retail residential customers across North Carolina and South Carolina are allocated to the North Carolina retail jurisdiction based on the ratio of North Carolina retail kWh sales (grossed up for line losses) to total retail kWh sales (grossed up for line losses), and then recovered only from North Carolina retail residential customers. (Tr at 8.) Revenue requirements related to EE programs targeted at retail non-residential customers across North Carolina and South Carolina are allocated to the North Carolina retail jurisdiction based on the ratio of North Carolina retail kWh sales (grossed up for line losses) to total retail kWh sales (grossed up for line losses), and then recovered from only North Carolina retail non-residential customers. The portion of revenue requirements related to NLR is computed based on the kW and kWh savings of North Carolina retail customers. (Tr. at 40-41.)

For DSM programs, the aggregated revenue requirement for all retail DSM programs targeted at both residential and non-residential customers across North Carolina and South Carolina is allocated to the North Carolina retail jurisdiction based on the North Carolina retail contribution to total retail peak demand, according to witness Listebarger. (Tr. at 41.) Both residential and non-residential customer classes are allocated a share of total system DSM revenue requirements based on each group's contribution to total retail peak demand. (*Id.*)

Witness Listebarger further testified that the allocation factors used in DSM/EE EMF true-up calculations for each vintage are based on the Company's most recently filed Cost of Service studies at the time that the Rider EE filing incorporating the true-up is made. If there are subsequent true-ups for a vintage, the allocation factors used will be the same as those used in the original DSM/EE EMF true-up calculations. (Tr. at 41.)

Witness Listebarger also described how DEC calculates one integrated (prospective) DSM/EE rider and one integrated DSM/EE EMF rider for the residential class, to be effective each rate period. (Tr. at 38.) The integrated residential DSM/EE EMF rider includes all true-ups for each applicable vintage year. Given that qualifying non-residential customers can opt out of DSM and/or EE programs, DEC calculates separate DSM and EE billing factors for the non-residential class. Additionally, the non-residential DSM and EE EMF billing factors are determined separately for each applicable vintage year, so that the factors can be appropriately charged to non-residential customers based on their opt-in/out status and participation for each vintage year. (*Id.*)

Prospective Components of Rider 14

Witness Listebarger testified that Rider 14 consists of five prospective components: (1) a prospective Vintage 2023 component designed to collect program costs and the PPI for DEC's 2023 vintage of DSM programs; (2) a prospective Vintage 2023 component to collect program costs, the PPI, PRI and the first year of NLR for DEC's 2023 vintage of EE programs; (3) a prospective Vintage 2022 component designed to collect the second year of estimated NLR for DEC's 2022 vintage of EE programs; (4) a prospective Vintage 2021 component designed to collect the third year of estimated NLR for DEC's 2021 vintage of EE programs; and (5) a prospective Vintage 2020 component designed to collect the fourth year of estimated lost revenues for DEC's 2020 vintage of EE programs. (Tr. at 39.)

Pursuant to the Sub 938 Second Waiver Order and the 2020 Sub 1032 Order, the rate period for the prospective components of Rider 14 is January 1, 2023, through December 31, 2023. (Tr. at 45.)

The prospective revenue requirements for Vintage 2020 are determined separately for residential and non-residential customer classes and are based on the fourth year of estimated NLR for the Company's Vintage 2020 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective June 1, 2021, adjusted to only recover the fixed cost component. (Tr. at 45.)

For Vintage 2021, the Company determined the estimated prospective revenue requirements separately for residential and non-residential customer classes and based them on the third year of NLR for its Vintage 2020 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective June 1, 2021, adjusted as described above to recover only the fixed cost component. (Tr. at 45-46.)

Witness Listebarger also explained that the Company determined the estimated prospective revenue requirements for Vintage 2022 separately for residential and non-residential customer classes and based them on the second year of NLR for its Vintage 2022 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective June 1, 2021, adjusted to only recover the fixed cost component.

With respect to Vintage 2023, witness Listebarger described the basis for the rate period prospective revenue requirements. She testified that the estimated prospective revenue requirements for Vintage 2023 EE programs include program costs, PPI, PRI, and the first year of NLR determined separately for residential and non-residential customer classes. The estimated prospective revenue requirements for Vintage 2023 DSM programs include program costs and PPI. The program costs and shared savings incentive are computed at the system level and allocated to North Carolina based on the allocation methodologies described in witness Listebarger's direct testimony. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its last general rate case, which became effective June 1, 2021.

The Company's proposed initial billing factor for the Rider 14 prospective components is 0.4292 cents per kWh for DEC's retail residential customers. For non-residential customers, the amounts differ depending on the customer elections of participation. Witness Listebarger provided the following chart to list the options and rider amounts.

Non-residential Billing Factors for Rider 14 Prospective Components	**Cents/kWh**
Vintage 2020 EE participant	0.0259

Non-residential Billing Factors for Rider 14 Prospective Components	Cents/kWh
Vintage 2021 EE participant	0.0671
Vintage 2022 EE participant	0.0995
Vintage 2023 EE participant	0.4323
Vintage 2023 DSM participant	0.0970

EMF Components of Rider 14

Rider 14 includes the following EMF components: (1) a true-up of Vintage 2018 lost revenues, PPI and participation for DSM/EE programs based on additional EM&V results received; (2) a true-up of Vintage 2019 lost revenues, PPI and participation for DSM/EE programs based on additional EM&V results received; (3) a true-up of Vintage 2020 lost revenues, PPI, and participation based on additional EM&V results received; and (4) a true-up of Vintage 2021 lost revenues, PPI and program costs, PPI for DSM/EE programs. (Tr. at 38.)

Witness Listebarger testified that pursuant to the Sub 938 Second Waiver Order and the 2013 Sub 1032 Stipulation, the "test period" for the Vintage 2021 EMF component is January 1, 2021 through December 31, 2021. As the Sub 938 Second Waiver Order allows the EMF to cover multiple test periods, the test periods for Vintage 2018 is January 1, 2018 through December 31, 2018, for Vintage 2019, the test period is January 1, 2019 through December 31, 2019, and Vintage 2020 is January 1, 2020 through December 31, 2020. (Tr. at 47.)

Witness Listebarger's Exhibit 2 outlined the updates to the Vintage 2021 estimate filed in 2020 that comprise the Vintage 2021 EMF component of Rider 14. The second year of NLR for Vintage 2021, which are a component of Rider 13 billings during 2022, will be trued up to actual amounts during the next rider filing. Estimated participation for Vintage 2021 was updated for actual participation for the period January 2021 through December 2021. Regarding NLR, estimated participation for the Year 1 Vintage 2021 estimate assumed a January 1, 2021 sign-up date and used a half-year convention, while the NLR Year 1 Vintage 2021 true-up was updated for actual participation for the period January through December 2021 and actual 2021 lost revenue rates. Found revenues for Year 1 of Vintage 2021 were trued up according to Commission-approved guidelines.

With respect to updating load impacts for the Vintage 2021 true-up, witness Listebarger explained that, for DSM programs, the contracted amounts of kW reduction capability from participants are considered to be components of actual participation. As a result, the Vintage 2021 true-up reflects the actual quantity of demand reduction capability for the Vintage 2021 period. The load impacts for EE programs were updated in accordance with the Commission-approved EM&V Agreement.

With respect to updating NLR computed for the Vintage 2021 true-up, witness Listebarger testified that NLR for year one (2021) of Vintage 2021 were calculated using actual kW and kWh savings by North Carolina retail participants by customer class based on actual participation and load impacts reflecting EM&V results applied according to the EM&V Agreement. The actual kW and kWh savings were as experienced during the period January 1, 2021 through December 31, 2021, and the rates applied to the kW and kWh savings are the retail rates that were in effect during the same period reduced by fuel and variable operation costs. The lost revenues were then offset by actual found revenues for Year 1 of Vintage 2021. NLR were calculated by rate schedule within the residential and non-residential customer classes. (Tr. at 48-49.)

Witness Listebarger also described the basis for the Vintages 2020, 2019, and 2018 EMF components of Rider 14. For Vintage 2020, she explained that avoided costs Vintage 2020 EE programs were trued-up based on updated EM&V results. Actual kW and kWh savings were as experienced during the period January 1, 2020 through December 31, 2020. The rates applied to the kW and kWh savings are the retail rates that were in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. For the Vintage 2019 EMF component of Rider 14, she explained that all years were trued-up for updated EM&V results. Actual kW and kWh savings were as experienced during the period January 1, 2019 through December 31, 2019. The rates applied to the kW and kWh savings were the retail rates in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. With respect to Vintage 2018, witness Listebarger testified that NLR for all years were trued-up on updated EM&V results. Actual kW and kWh savings were as experienced during the period January 1, 2018 through December 31, 2018. The rates applied to kW and kWh savings are the retail rates in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. (Tr. at 48-50.)

Witness Listebarger's direct testimony and exhibits reflected EMF billing factors for Rider 14 of (0.0903) cents per kWh for all North Carolina retail residential customers, (0.0833) cents per kWh for non-residential Vintage 2021 EE participants, (0.0173) cents per kWh for non-residential Vintage 2021 DSM participants, (0.0012) per kWh for non-residential Vintage 2020 EE participants, (0.0002) cents per kWh for non-residential Vintage 2020 DSM participants, 0.0064 cents per kWh for non-residential Vintage 2019 EE participants, 0.0003 cents per kWh for non-residential Vintage 2019 DSM participants, (0.0021) cents per kWh for non-residential Vintage 2018 EE participants and (0.0002) cents per kWh for non-residential Vintage 2018 EE participants. (Tr. at 48-51.)

Application of Reserve Margin to Avoided Capacity Costs

Witness Holbrook testified that DEC had worked with the Public Staff to codify the use of a Reserve Margin Adjustment Factor ("RMAF") as revised by the 2020 Sub 1032 Order for the Commission's consideration and approval. The redline contained in Holbrook Exhibit 18 illustrates the proposed RMAF related modifications to subsection 20 of the Mechanism. (Tr. at 107.) Holbrook Exhibit 18's proposed RMAF-related modifications are:

> 20B. Moreover, for the Calculation of the underlying avoided capacity benefits, when authorized pursuant to Commission Rule R8-69(c) and unless the Commission determines otherwise in a G.S. 62-133.9 DSM/EE Rider proceeding, the Company shall be permitted to recognize the impact of the Reserve Margin Adjustment Factor used in the determination of the PPI and PRI values for its energy efficiency programs.
>
> The Reserve Margin Adjustment Factor is equivalent to (1 + Reserve Margin) / (Performance Adjustment Factor) and will be applied to the avoided capacity costs of all energy efficiency programs.

> The Reserve Margin employed shall be based upon the value reflected in the most recent Commission accepted Integrated Resource Plan proceeding as of December 31 of the year immediately preceding the date of the annual DSM/EE rider filing. The Performance Adjustment Factor employed shall be based upon value reflected in the most recent Commission approved Biennial Avoided Cost proceeding as of December 31 of the year immediately preceding the date of the annual DSM/EE rider filing.

Public Staff witness Williamson confirmed that the Public Staff had reviewed the proposed language and recommended that the Commission approve the language. (Tr. at 250.)

Public Staff Review of Company Rider 14 Calculations

Public Staff witness Williamson filed testimony in this proceeding discussing EM&V and cost-effectiveness issues related to future DSM/EE proceedings for the Company and did not recommend any adjustments to the Company's billing factor calculations. Public Staff witness Dorgan testified that his investigation of DEC's filings in this proceeding focused on whether the Company's proposed DSM/EE billing factors were calculated in accordance with the 2013 Sub 1032 Stipulation, the Sub 1130 Order, the Mechanism, and the 2020 Sub 1032 Order, and whether they otherwise adhered to sound ratemaking concepts and principles. Witness Dorgan testified that he believes that the Company has calculated the Rider 14 billing factors consistently with N.C. Gen. Stat. § 62-133.9, Commission Rule R8-69, the 2013 Sub 1032 Stipulation, the Sub 1130 Order, the 2013 Mechanism and the 2020 Mechanism, and other relevant Commission orders. (Tr. at 223-34.)

Witness Dorgan testified that as part of the Public Staff's investigation in this proceeding the Public Staff performed a review of the DSM/EE program costs incurred by DEC during the 12-month period ended December 31, 2021. To accomplish this, the Public Staff selected and reviewed a sample of source documentation for test year costs included by the Company for recovery through the DSM/EE riders. Review of this sample is intended to test whether the costs included by the Company in the DSM/EE riders are valid costs of approved DSM and EE programs. Witness Dorgan testified that the Public Staff's compliance review did not discover any findings that necessitated adjustment to costs or incentives claimed for recovery. (Tr. at 221.) However, witness Dorgan testified that based on its review of costs incurred over the past few vintage years, the Public Staff believes that it would be beneficial to undertake a review focused on DEC's DSM/EE advertising and promotion ("A&P") costs. The Public Staff has notified the Company that it plans to undertake such a review, the purpose of which will be to determine the steps the Company regularly takes to right-size its DSM/EE A&P, and to inquire into the relationship between A&P costs and participant incentives.

Witness Dorgan further noted the following with respect to the Public Staff's investigation of the Company's calculations of cumulative deferred income tax for Residential EE Programs for Vintage Year 2018 – as reflected in Listebarger Exhibit 3, Page 1: the Public Staff identified several computations that appear to be the result of Excel formula errors. These errors occurred first in the Company's Rider 12 application, but they were carried forward to Riders 13 and 14. Witness

Dorgan reported that the Public Staff had notified the Company of the suspected errors. Correction of these errors resulted in a $248,707.00 increase to the revenue requirement as originally filed. The Company informed the Public Staff that it would file supplemental testimony and exhibits on this issue and that it would request the Commission permission to make all needed corrections as a one-time true-up adjustment to Vintage 2021 billing factors in conjunction with DEC's 2023 DSM/EE rider application. Witness Dorgan testified that the Public Staff had no objection to this arrangement. The Company filed its supplemental testimony and exhibits on May 16, 2022. The Public Staff reviewed the corrected billing factors filed by DEC and believed them to be accurate. (Tr. at 223.)

According to witness Dorgan's testimony, the proposed combined DSM/EE prospective and EMF revenue requirement for the Residential customer class is approximately $77.3 million, which is an approximate $31.6 million decrease from the revenue produced by the rates currently in effect. For a typical residential customer using 1,000 kWh of energy, the combined residential billing factor, as proposed, would result in a $1.38 reduction in the customer's monthly bill. For non-residential customers, the proposed overall combined revenue requirement is approximately $96.3 million, an approximate $15.8 million increase over rates currently in effect. The change in the non-residential customer's bill, however, depends on the particular vintage years of the DSM or EE for which the customer has opted into or out of. (Tr. at 219.)

Conclusions on Calculations of Rider 14

Based on the foregoing, the Commission finds and concludes that the components of Rider 14 are consistent with the Commission's findings and conclusions herein, as well as the Commission's findings and conclusions as set forth in the 2013 Sub 1032 Stipulation and the Mechanism approved in the 2013 Sub 1032 Order, as revised by the Sub 1130 Order and the 2020 Sub 1032 Order (approving the use of the 2020 Mechanism). The Commission approves the Company's calculation of the DSM/EE rates for Vintage 2023 as reflected in the direct and supplemental testimony and exhibits of DEC witness Listebarger. The Commission further finds and concludes that the proposed RMAF-related modifications to subsection 20 of the Mechanism are reasonable and appropriate and should be approved. Finally, the Commission approves the application of the increased regulatory fee to these rates, which are reflected in the Findings of Fact Nos. 10-28.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 29

The evidence in support of this finding and conclusions can be found in the testimony of DEC witnesses Holbrook and Powers, NC Justice Center, *et al.*, witness Bradley-Wright, and Public Staff witness Williamson.

Company witnesses Holbrook and Powers described the Collaborative's activities. Witness Holbrook stated that the Collaborative met for formal meetings in January, March, May, July, September, and November in 2021. Between the meetings, interested stakeholders joined conference calls in February, April, May, August, October, and December to discuss certain agenda items or priorities, such as new program development ideas and pandemic-related issues, which could not be fully explored in formal meetings. Witness Holbrook stated that such meetings and calls would continue similarly through 2022 as well. (Tr. at 102.)

Company witness Holbrook also testified that opt-outs by qualifying industrial and commercial customers adversely impacted the Company's overall results from the portfolio of approved DSM/EE programs. (Tr. at 99.) For Vintage 2021, 4,461 eligible customer accounts opted out of participating in DEC's non-residential portfolio of EE programs, and 4,777 eligible customer accounts opted out of participating in the Company's non-residential DSM programs. (*Id.*) During 2021, however, 627 opt-out eligible customers opted into the EE portion of the Rider, and 204 opt-out eligible customers opted into the DSM portion of the Rider. Witness Holbrook explained that the ten percent decrease in the number of opt-outs in 2021, compared to 2020, was based primarily on the ongoing impacts of the COVID pandemic, which caused a decrease in the number of large commercial customers eligible to opt out due to their annual consumption exceeding the 1,000,000 kWh out-out threshold, set forth in Commission Rule R8-68(d). (Tr. at 100.)

Witness Holbrook testified that even with the Covid-related reductions in opt outs, the Company continues to try to increase participation of opt-out eligible customers. The Company also continues to evaluate and revise its non-residential portfolio of programs to accommodate new technologies, eliminate product gaps, remove barriers to participation, and make its programs more attractive. (Tr. at 100.) It also continues to leverage its Large Account Management Team to make sure customers are informed about product offerings and their ability to opt into the Company's DSM and/or EE offerings during the March opt-in window. (Tr. at 101.)

Upon questioning by Commissioners Mitchell and Clodfelter, DEC witness Powers testified that due to differing energy usage, estimating the cost burden of customers that opt out is difficult. Opt-out customers must self-certify that they are undertaking their own energy efficiency measures. The Company reviews opt outs frequently, but it has not challenged a customer's self-certification. Witness Powers noted that, because energy usage is a potential source of a competitive advantage, these opt-out customers are intrinsically motivated to drive their energy costs as low as possible. She reiterated that the Company's Large Account Managers follow up with such customers frequently to promote the Company's energy efficiency programs. (Tr. at 126-28.)

Witness Holbrook also discussed the Collaborative's examination of the reasons for the forecasted decline in savings. She attributed the decline primarily to changing lighting standards and widespread adoption of LEDs. The Company is currently investigating new ideas from the Collaborative members and new ideas resulting from ongoing work of a number of stakeholder groups to determine if they can be developed into cost-effective programs. In fact, the Collaborative has focused specifically on assisting low-income households. Additionally, Collaborative members have participated in other working groups during 2021. Witness Holbrook expected members of the Collaborative to be key contributors to help vulnerable customers with their energy insecurity. (Tr. at 103-04.)

Witness Holbrook's Exhibit 15 compared the performance of DEC's DSM/EE portfolio's cost and savings during the 2020 DSM/EE rider test year with the performance in the 2021 DSM/EE rider test year. The tables revealed that in 2020, DEC's DSM/EE programs reduced system energy usage by 653,954,870 kWh, and in 2021, DEC's DSM/EE programs reduced system energy usage by 636,941,127 kWh. Additionally, Exhibit 15 showed that DEC forecast DSM/EE energy savings of 695,373,655 kWh for 2020 and actually achieved energy savings of 653,954,870 kWh. For 2021, DEC forecast 760,217,903 kWh energy savings (which was made prior to the Company understanding potential impacts of COVID on program operations), and actually achieved 636,941,127 kWh in savings.

NC Justice Center, *et al.*, witness Bradley-Wright testified that DEC had reported a decline in energy savings in 2021. He noted that in 2021 DEC delivered 600 gigawatt-hours ("GWh") of efficiency savings at the meter, equal to 0.79% of the previous year's retail sales. Prior to the pandemic, DEC had reported savings hovering near or above 1% for three consecutive years. (Tr. at 183.)

Witness Bradley-Wright reported that DEC projects that it will achieve approximately 736.8 GWh of energy savings at the meter in 2023. This reflects an increase from DEC's 2020 and 2021 savings performance and is an estimated 0.98% of prior year sales. Witness Bradley-Wright noted that was less than the 1% savings benchmark. Witness Bradley-Wright recounted that the Commission had expressed concern with savings declines in the past. He further testified that since 2019, many Collaborative stakeholders have focused on reaching and exceeding 1% annual savings. To that end, witness Bradley-Wright testified, stakeholders recommended programs to close the gap between DEC's past performance and lower projected savings. (Tr. at 190.) He indicated that the Company had not worked with the Collaborative to develop a plan or committed to tracking its DSM/EE savings against the 1% benchmark.

Witness Bradley-Wright also specifically addressed achieving greater efficiency savings for low-income customers. He noted that DEC forecasts its Low-Income Energy Efficiency and Weatherization Assistance program to account for approximately 2% of total residential energy saved in 2022. If achieved, this would be a 7% increase in total energy savings for DEC's low-income programs compared to its pre-pandemic performance. Witness Bradley-Wright was aware that DEC had committed to work with the Collaborative to develop and to seek approval for new Low-Income EE programs. Witness Bradley-Wright also testified that the 2020 Sub 1032 Order included a provision for a study that will seek to estimate the low- and moderate-income customers ("LMI") to estimate market penetration of DEC's non-income qualified programs to be used by DEC to recommend program enhancements designed to cost-effectively increase market penetration in the targeted populations and neighborhoods. The study is underway with results expected this fall. Witness Bradley-Wright still recommended that the Company increase its low-income EE program budget and work with the Collaborative on setting a new budget and savings target for income-qualified programs to be filed with the next DSM/EE rider. (Tr. at 198-97.)

Witness Bradley-Wright also made the following recommendations to the Commission:

- Direct DEC to quantify and analyze the carbon savings associated with DEC's DSM/EE portfolio to help inform the work of the Collaborative and to enable the Commission and other interested parties to track the impact of DSM/EE resources toward achieving North Carolina's and Duke Energy's respective carbon reduction goals.
- Direct DEC to work in good faith with members of the Collaborative to produce a plan on how best to exceed 1% annual savings in each of the next six years, to be periodically updated and presented to the Commission.
- Increase the scale and reach of the Company's income qualified low-income efficiency programs, with corresponding new plans for investments that will allow for achievement of those savings targets.
- Establish a default process and timeline for the development of Collaborative stakeholder program recommendations.
- Direct DEC to continue providing information related to energy savings and economic impacts of DSM/EE programs that were introduced during and/or are products of the Collaborative.

(Tr. at 182-83.)

At the evidentiary hearing, DEC witness Powers, the Collaborative's primary point of contact for stakeholders in North and South Carolina, contested witness Bradley-Wright's assertions that the Company is not doing enough to develop new programs through the Collaborative. She highlighted that DEC is the number one utility in the southeast for energy savings. She noted that DEC was allowed to earn on its energy efficiency programs, so it was highly motivated to develop them.

Witness Powers also noted that, although one of the strengths of the Collaborative is the stakeholders representing different individual interests and organizations, the Company must have a "broader vision" and design energy efficiency programs that benefit all its customers. (Tr. at 131-32.) She described the difficulties in turning ideas from the Collaborative, even ideas that another utility has implemented, into programs that are responsive to North Carolina-specific conditions, such as avoided costs, the market, and heating and cooling characteristics, and consistent with the Commission's Rules and Mechanism. (Tr. at 74, 129, 131.) Nevertheless, witness Powers testified that the Company finds value in the Collaborative's suggestions, because even if the Company cannot start up and develop a program, the engagement of the Collaborative assures the Company that it is aware of potential opportunities. (Tr. at 74-75.)

Witness Powers testified that having a schedule for developing energy efficiency programs, as recommended by witness Bradley-Wright, would not be helpful to developing more energy efficiency programs. Instead, such a schedule would slow program development because time and resources would be dedicated to preparing reports, instead of program evaluation. (Tr. at 132.) The programs that witness Bradley-Wright had contended benefited from successful collaboration, such as High Energy Use Low-Income Energy Efficiency Pilot and the Tariffed On-Bill program, have been analyzed in meetings for over a year and have not been filed for approval yet. (Tr. at 74.) Witness Powers offered that the Company had made a concerted effort since 2021 to better update the Collaborative on the progress of its recommendations. (Tr. at 133.)

DEC witness Powers also described in detail the actions that DEC had taken on each of seven program ideas that had been stakeholder-initiated program proposals:

- Low-Income Housing Tax Credit ("LIHTC") – Members originally brought this idea to the Company in March 2019. After investigation, the Company informed members of the Collaborative that all of the measures that were part of this idea were already offered to customers through the Smart Saver Custom New Construction and Energy Efficiency Design Assistance program ("NCEEDA"). Although LIHTC was ultimately not appropriate for a stand-alone new program, DEC with several Collaborative members scheduled a joint statewide workshop with developers, architects, and contractors to generate interest. Although the timing between planning and completion is often long, developers are seeing the benefits of pairing rebates with tax credits, and the Company is continuing to pursue these projects. (Tr. at 69-70.)
- Energy Star Retail Products Platform ("ESRPP") – The Company investigated the ESRPP when the Collaborative submitted it.

ESRPP offers incentives directly to retailers of Energy Star appliances, and those retailers, in turn, offer discounts on those appliances to consumers. The Company found that it replicated many of the features of an existing DEC program. Recently, however, the Company revisited the idea and found that the platform could serve as a reference point in the future when the Company searches for new measures. DEC informed the Collaborative of this in July 2021. (Tr. at 70-71.)

- Program Savings from Codes and Standards – Members of the Collaborative suggested that the Company could claim savings from advancing building energy codes and appliance standards and suggested a program to capture those savings. As the Company has reported to the Collaborative, North Carolina does not have a statutory or regulatory framework that defines how a utility may claim attributed savings. Thus, there is no avenue by which the Company could implement such a program. (Tr. at 71.)
- Residential Low-Income Single-Family Heat Pump Water Heater Rental Program – Collaborative members recommended in June 2020 that DEC offer a program where low-income customers could rent a heat pump water heater for their home directly from DEC, adding the payment to their electric bills. Attributes of the program, such as the appropriate placement of the appliance and an on-bill collection mechanism, added unresolved complexities to

implementing this program. Although the effort will take time, the Company continues to research and investigate this recommendation. (Tr. at 72-73.)

- Non-residential Multifamily Heat Pump Water Heater Rebate – Collaborative members suggested that the Company approach multifamily property owners to offer a rebate for installing heat pump water heaters, which would serve multiple units within a building. The Company has determined that it can include the heat pump water heater rebate in the New Construction Energy Efficiency Design Assistance program, but no developer has expressed an interest in participating. (Tr. at 73.)
- Manufactured Homes Retrofit Program – Collaborative members suggested a program that retrofits manufactured homes with more efficient heating and air conditioning, replaces or repairs duct work, and insulates and seals the structure. The Company has not developed this into a new program because all the recommended measures are already part of the Residential Smart Saver program and available to manufactured homes. (Tr. at 73.)
- Manufactured Home New and Replacement Programs – Collaborative members suggested that the Company offer incentives for replacing inefficient manufactured homes with Energy Star manufactured homes. The Company continues to investigate program design research. (Tr. at 73.)

Witness Powers also testified that witness Bradley-Wright's recommendations that the Company should: (i) quantify and analyze the full lifetime carbon savings associated with DEC's future cost recovery proceedings and (ii) commit to endorse the recommendations of the Low-Income Affordability Collaborative ("LIAC") and develop program applications were premature. She stated that the Company agreed it would be appropriate to report carbon reductions associated with DSM/EE programs in future rider proceedings, after the Commission has approved a Carbon Plan and an agreed-upon methodology for determining carbon reduction associated with DSM/EE programs in the evaluation of cost-effectiveness. Witness Powers testified that the Company was committed to the work of LIAC in exploring a full spectrum of opportunities to address affordability for low- and moderate- income customers. However, she noted that the final recommendations have not been submitted to, or approved by, the Commission yet. (Tr. at 76-77.)

Witness Powers also confirmed that the Company was committed to developing strategies with the Collaborative that support achieving the 1% aspirational goal for energy savings. Efforts, which witness Bradley-Wright has been involved in, are currently underway and include widening the scope of the market potential study to capture potential savings opportunities and expanding low-income programs and pilots. (Tr. at 78.)

Conclusions

The Commission has fully reviewed the issues raised and recommendations made by NC Justice Center, *et al.*, witness Bradley-Wright. The

Commission is concerned about the forecasted decline in DEC's DSM/EE savings in 2023. Therefore, the Commission directs the Collaborative to continue its ongoing work to examine the reasons for the forecasted decline and continue exploring options for preventing or correcting a decline in future DSM/EE savings. The Commission is not persuaded that a reporting schedule is appropriate for the Collaborative's work, however, due to the complexity of developing cost-effective energy efficiency programs that are consistent with North Carolina's regulatory framework.

The Commission also concludes that the Collaborative should continue to place emphasis on developing EE programs to assist low-income customers in saving energy and to lessen their energy burdens. The Commission is eager to review the recommendations of the LIAC, but they are not yet finalized and filed for approval. Therefore, the Commission does not believe it is appropriate to require the Company to commit to all of the recommendations of the LIAC at this time, in advance of the LIAC's final report.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves the calculation of Rider EE as filed by DEC in the direct testimony and exhibits of Company witness Listebarger (i.e., absent the effect of application of the RMAF methodology) to go into effect for the rate period January 1, 2023 through December 31, 2023, subject to appropriate true-ups in future cost recovery proceedings consistent with the Sub 1032 Orders, the Sub 1130 Order, and other relevant orders of the Commission;

2. That the Commission hereby approves the codification of the RMAF methodology into the Mechanism, as revised by the 2020 Sub 1032 Order;

3. That DEC and the Collaborative participants shall give particular attention addressing declining energy savings forecasts and expanding DSM/EE programs to assist DEC's low-income customers; and

4. That DEC shall work with the Public Staff to prepare a proposed Notice to Customers of the rate changes approved herein. Within 30 days from the date of this Order, the Company shall file said notice and the proposed time for service of such notice for Commission approval.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of ______, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I certify that a copy of Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff, in Docket No. E-7, Sub 1265, has been served on all parties of record either by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid.

This the 27th day of July, 2022.

Kendrick C. Fentress

Kendrick C. Fentress
Associate General Counsel
Duke Energy Corporation
P.O. Box 1551/ NCRH 20
Raleigh, North Carolina 27602
Tel: 919.546.6733
Kendrick.Fentress@duke-energy.com